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Chain Store Age Executive with Shopping Center Age

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HEADLINE: Coupons get serious; supermarkets use barcodes to prevent misredemptions

BODY:

#### SCANNING REDUCES MISREDEMPTIONS

As recently as three years ago, if a customer purchased a large order at a supermarket, and then handed the cashier a wad of vendor coupons (from magazines, FSI, etc.), it was very likely that the cashier would give the customer credit for those coupons without checking to make sure that every couponed item was being bought.

It just wasn't practical to check, nor was there much incentive. After all, how was the vendor's clearinghouse to know whether the item was bought or not?

Today, the days of coupon fakery are coming to a rapid end. Retailers are taking misredemption seriously, and consumers are getting wind of the more serious and strict attitude.

Why is this now happening? Part of the reason is that the enabling technology--widespread barcoding on coupons--is finally in place.

Indeed, when the Food Marketing Institute and the Grocery Manufacturers of America formed their joint industry coupon scanning committee in 1988, only 60% of coupons carried UPC symbols.

Today, 94% of coupons carry UPCs. The majority of the more than 500 grocery manufacturers still not placing barcodes on their coupons tend to be regional companies, or companies which do couponing relatively infrequently.

Barcodes on coupons initially had a reputation for being unreliable, but that is changing as well. According to Don King, manager, advertising department services, Procter & Gamble, Cincinnati, the 95% accuracy rate that coupon barcodes had last year jumped to 96% this year.

"Manufactures are learning from experience," he says, "and they're acknowledging that a wrong code can be as bad or worse than no code at all."

At the same time these manufacturer efforts have occurred, there has been a substantial increase in the number of stores scanning coupons. According to FMI, some 1,500 stores were doing it last year, and more than 2,900 stores are doing it today. The high-pace growth is expected to continue.

To put the statistics another way: There are now no less than 110 supermarket companies, including chains and independents, scanning coupons at one or more stores.

In addition, more than half of the 20 largest chains are doing it, and several of them--including Giant Food, Stop & Shop and Ralphs--are scanning in 100% of their stores.

More problematical is the question of how many retailers are actually validating coupons (verifying that the item has been purchased) when they scan. FMI reports that more than 90% of stores now scanning perform some type of electronic validation activity. The rest scan only for productivity reasons.

Of chains that electronically validate, there has been a shift from so-called manufacturer ID validation to family-code validation.

The manufacturer ID validation guarantees only that some product from a particular manufacturer was purchased. But the family code verifies purchase of a specific brand or product. Last year, only 20% of scanning retailers were validating at the family-code level. This year, that share has risen to 40%.

Why so? Bob Maybee, manager, marketing research, Wegmans Food Markets, Rochester, N.Y., says that in some cases, retailers are attempting to minimize misredemption of doubled coupons. In other cases, retailers are seeking to qualify for participation in a manufacturer's Quick Pay program.

Offered initially by Procter & Gamble two years ago, Quick Pay has spread to 14 major grocery manufacturers. Under the program, retailers who validate at the family-code level receive reimbursement for the coupon within five to eight days, instead of the usual 45 days.

The benefit to manufacturers is the virtual elimination of coupon misredemptions; the benefit to retailers is a significantly improved cash flow.

As streamlined as the coupon redemption process has become, challenges remain. One, according to Maybee, is that manufacturers are still all-too-frequently resorting to the so-called cashier intervention (00) code in their barcoded coupons.

The 00 code forces the cashier to stop, read the coupon, and key-enter the value. It is commonly invoked on coupons calling for multiple purchases (i.e., buy two tubes of Brand X toothpaste, get \$ 1 off) or on coupons bearing a savings of no specific dollar amount (i.e., but Brand X cookies, get milk free).

Maybee argues that checker intervention codes negate the productivity benefits of coupon scanning, and he applauds the efforts of Procter & Gamble, which has gone on record as being committed to the elimination of 00 coupons.